

## Key Characteristics of Monroe County

### Location & History

Monroe County and its principal city, Rochester, are located in western New York State where the Genesee River meets the south shore of Lake Ontario, approximately 70 miles east of the Buffalo/Niagara Falls area. With its headwaters in the uplands of northern Pennsylvania, the Genesee River drops in elevation almost 300 feet as it flows through Rochester, creating rapids and waterfalls. As early as the 1790s the Genesee was harnessed by settlers to power grist mills and saw mills. The fertile land of the Genesee River valley combined with hydropower to create a vibrant agricultural and grain processing economy by the early 1800s.

The “midwest” region of New York State dominated wheat production in this period. Monroe County’s climate, moderated by Lake Ontario, was found to be ideal for growing other types of

Monroe County Land Use	
Residential	33%
Commercial/Industrial	7%
Governmental	6%
Agricultural	29%
Undeveloped	23%
Open Space	2%
<b>Total Land Area</b>	<b>663 sq miles</b>

Source: Monroe County Planning & Develop.

produce, such as celery, cantaloupes, lettuce, apples, pears, and grapes. Improved roads increased commerce to Rochester and its fruit and vegetable products became noted all across the Eastern United States.

Construction of the Erie Canal from 1817 to 1823 led to explosive development of the Rochester/Monroe County area. Farmers and grain processors in the Genesee valley gained low-cost access to markets in

New York City. With completion of the canal to the Lake Erie port of Buffalo in 1825, producers secured low-cost access to growing western markets. Monroe County’s future as a major population center was assured. Rochester grew rapidly, adding 75% to its population between 1830 and 1850.

Monroe County Population	
<b>1830</b>	49,855
<b>1850</b>	87,650
<b>1870</b>	117,868
<b>1890</b>	189,586
<b>1910</b>	283,212
<b>1930</b>	423,881
<b>1950</b>	487,632
<b>1970</b>	711,917
<b>1980</b>	702,238
<b>1990</b>	713,968
<b>2000</b>	745,343

Source: NYS Data Center

The Erie Canal remains one of the most successful public works projects of all time – an example of the stimulus to economic development of bold and creative public works infrastructure projects. Monroe County as we know it today is a legacy of the great canal. The names of many of Monroe County’s communities—Wheatland, Brockport, Fairport, and Spencerport, for example—reflect the region’s history as an agricultural center on the Erie Canal. The use of “Flour City” and later, “Flower City,” for Rochester also capture important elements of local economic history.

### The Growth of Monroe County Industry

The Civil War spurred the industrial growth of New York State, including both Rochester and Buffalo. While an explosion of rail construction during the 1850s and 1860s diminished the economic value of the Erie Canal, both Rochester and Buffalo became major stops on these new transportation corridors.

George Eastman’s inventions of the late 19<sup>th</sup> century resulted in the formation of the Eastman Kodak Company in Rochester. By the early 20<sup>th</sup> century, Kodak had become a key engine of growth in Rochester with peak employment of over 60,000 in 1982. Entrepreneurs of the same era founded other companies with continued name recognition—Bausch & Lomb, the Gannett

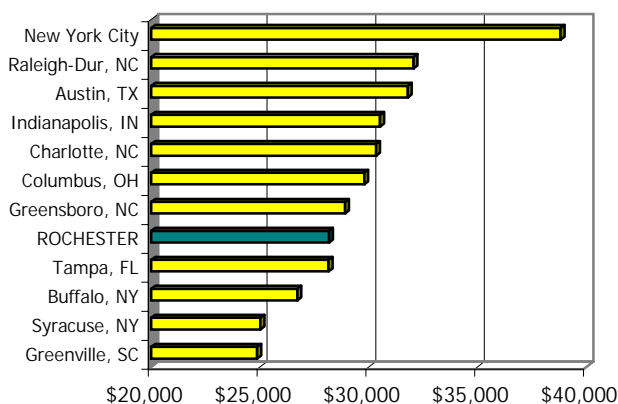
Company and Hickey-Freeman, as examples. Another Rochester success story was the Haloid Corporation. Chester Carlson's invention of xerography put the renamed Xerox Corporation at the forefront of innovation. Although Xerox moved its corporate headquarters to Stamford, Connecticut in 1978, the document company still employs over 13,000 locally.

Today Monroe County has a population of nearly 750,000 and a vibrant local economy with significant employment in emerging technology sectors. Instead of shipping flour and nursery stock to the East Coast of the U.S., Monroe County companies sell a diversity of sophisticated products and services to customers around the world. On a per capita basis, Monroe County's industries export more manufactured goods than any other area in the nation. (Greater Rochester Metro Chamber of Commerce, International Business Council).

### Income and Wealth in Rochester Metro Area

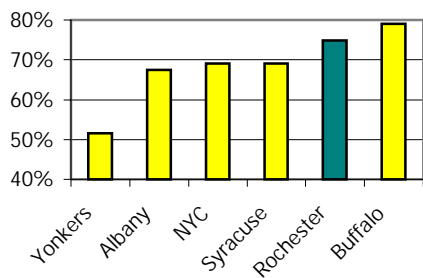
Rochester enjoys one of the highest per capita income among upstate metropolitan areas. Historically, the area's income has compared favorably to many of the country's high tech markets. However, as the area has lost thousands of higher paying manufacturing jobs, Rochester's per capita income position has slipped. Considerable "old wealth" was created by the widespread ownership of Kodak and Xerox stock during the growth periods of these corporations. While wealth is difficult to measure directly, the United Way of Greater Rochester receives one of the highest per capita contributions in the nation. The recently-completed 2001 campaign collected \$36.1 million, a sum that exceeds the total United Way contribution in cities many times the size of Rochester.

**Rochester v. Selected Comparable Cities  
Per Capita Income 1999**



Source: Bureau of Economic Analysis

**Share of Students Receiving  
Free or Reduced Price Lunch  
1998-1999 avg**



Source: NYS Dept of Education

At the same time, Monroe County contains pockets of significant poverty, largely concentrated in the City of Rochester. As of the 1990 Census, Rochester had the highest percentage of families with children under 18 below the poverty level (19 percent) and the second highest percentage of families below the poverty level (21 percent) of the state's major cities (NYC, Yonkers, Albany, Syracuse, Rochester and Buffalo). A significant share of Rochester City School District children qualify for a free or reduced price lunch.

### Economic Profile of Monroe County

The dominant feature of Rochester's economy during the previous 20 years has been the creative destruction of traditional sources of income and the birth of new firms and industries.

Until the last decade, Rochester was dominated by major manufacturers—particularly Kodak—employing highly skilled production workers, thousands of key scientists and technicians in research and development positions and many headquarters staff. As these companies restructured, the workers who left their employers have fueled the growth of numerous small and medium sized firms in a range of industries. In 1980, only 57% of employment was located in firms of 1000 employees or less—and most of these firms had direct or indirect linkages to major Rochester firms like Kodak, Xerox or General Motors. By 1999, the share of employment in small and medium-sized firms had risen to 87% (CGR estimates from *County Business Patterns* data).

Major Private Employers	Employees (FT)
Eastman Kodak Co.	24,000
Xerox Corp.	13,350
U of R/ Strong Health (including Highland Hospital)	12,240
ViaHealth	5,525
Wegmans Food Markets	5,478
Global Crossing	3,178
Delphi Automotive Systems	3,000
Excellus Inc	2,940
Valeo Electrical Systems, Inc	2,729
Unity Health System	2,530
Rochester Institute of Technology	2,350
Rochester Gas & Electric Corp.	1,960
Paychex Inc.	1,649
Bausch & Lomb	1,500
Electronic Data Systems, Corp	1,287

Source: Rochester Business Journal, April 2001

Eastman Kodak Company, Xerox, Bausch & Lomb, Delphi Energy Management Systems (formerly a division of General Motors) and Valeo Electrical Systems (another former GM division) are still important to the Monroe County economy. Yet the regional economy's future lies with fast-growing small and medium-sized firms, such as high technology manufacturers like Harris R.F. Communications, Veeco/CVC Process Equipment and Celltech; telecommunications firms like Choice One, PaeTec and Mpower; and service firms like Harris Interactive, The Sutherland Group, Western NY Computing and the Pike Company, most of which are small and medium-sized firms.

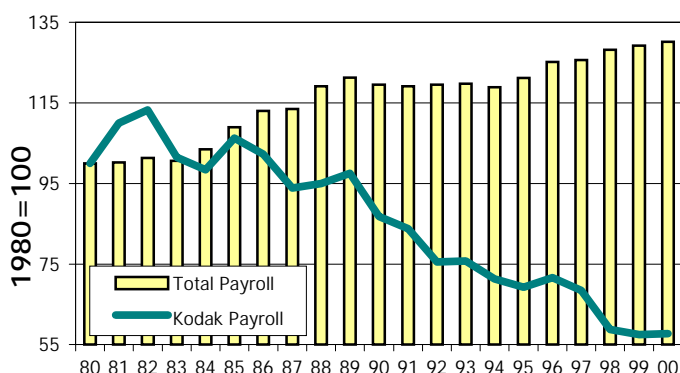
### Kodak's Role in the Economy

Kodak's steady employment growth from the early part of the century through 1982 and the relative stability of Kodak product sales insulated the Rochester economy from the worst of national business cycle fluctuations,

including the Great Depression and the recession of the early 1980s. At its 1982 peak, the Eastman Kodak Company directly employed almost 14% of workers in the Rochester Metropolitan Statistical Area (RMSA—Monroe, Wayne, Ontario, Livingston, Genesee and Orleans counties). Due to Kodak's relatively high salaries, the company was responsible for

22% of the RMSA payroll. Another fifth of total MSA payroll could be attributed to suppliers of Kodak itself plus companies supported by the purchases of Kodak workers. In all, Kodak was responsible for nearly half of the metropolitan economy.

### Overall Economy Grows in Face of Kodak Contraction



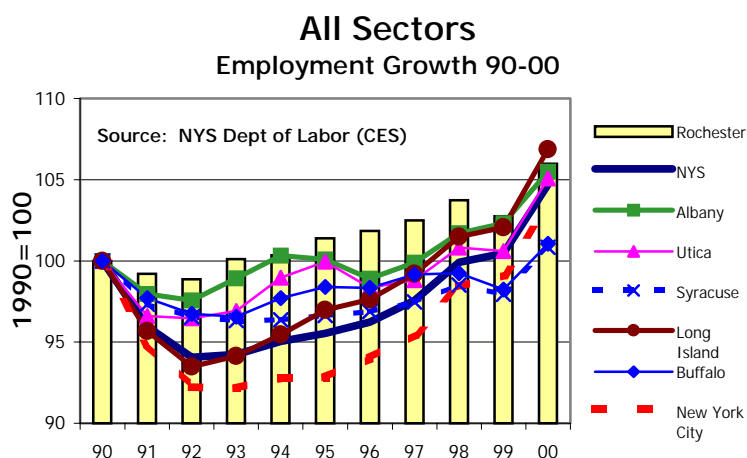
Kodak's market position has changed dramatically in intervening years. Until the 1980s the company faced few competitors, particularly in the lucrative U.S. market. The quality of its products and the respect afforded

its brand enabled the company to earn substantial profits. The community shared in its success. By the mid 1980s, Japanese competitor Fuji began to challenge Kodak's market position in the U.S. and across the world. Other companies such as 3M, Agfa and Konica also gained share at the expense of the market leaders. The rise of digital imaging has broadened the threat to Kodak's film business.

Kodak has responded to these challenges in a variety of ways, one of which has been to reduce costs. As a result of nearly continuous cost-cutting since 1982, the film giant now employs only two-fifths of the number of workers than it did then—about 4% of the local workforce—and is responsible for about 9.4% of RMSA payroll (Kodak, CGR). CGR estimates that Kodak's direct and indirect share of Rochester-area income is between 15% and 19%.

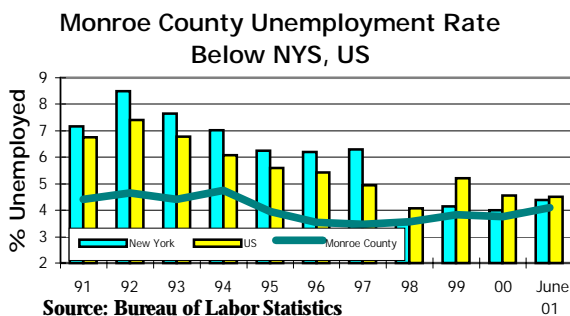
## Steady Growth in Rochester

In most communities the rapid shrinkage of its flagship employer would force the economy into recession. This was not the case in Rochester. Despite the loss of about \$1.9 billion dollars in



payroll (in 2001 dollars) and more than 36,000 jobs from Kodak, the Rochester economy has continued to grow. Annual average non-agricultural employment increased steadily from 1980 through the present as other firms and sectors expanded. While New York City has received attention for its recent economic performance, NYC employment only regained 1990 employment levels late in 1999 while the Rochester area added 7% to employment rolls during the same period.

From 1980 to early 2001, the Rochester metropolitan area added 137,700 net new jobs. Business service employment soared in comparison with New York State as firms like Paychex and Element K expanded their markets and their payrolls. While the transition from a manufacturing-based economy to a more service-based economy has reduced average income in many communities, **payroll per job** has remained at Rochester's historically-high level (in constant dollar terms) as wages and salaries per job have been rising both in manufacturing *and* in the service sector (CGR analysis of NYS DOL data).



The prosperity of the Rochester economy is reflected in an unemployment rate that since 1980 has averaged two-thirds that of New York State. Monroe County's seasonally adjusted unemployment rate has been less than 4.5% since 1995. In many respects, Kodak's workforce reductions have enabled other firms to grow in an economy in which the scarcity of labor has limited growth.

## High Technology and the Rochester Economy

Rochester firms employ an unusual number of workers in high technology industries. In 2000, about 15% of the Rochester workforce—earning 26% of total payroll—was employed in industries classified as “high technology” by the U.S. Bureau of Labor Statistics. A high concentration of scientists and engineers is partly explained by the presence of a significant share of Kodak’s research and development facilities. Yet other firms have found Rochester a key location for high technology. Xerox, Delphi Energy Management Systems and many other smaller firms like Rochester’s fast growing Veeco/CVC Process Equipment employ thousands of engineers and scientists in the Rochester area. The most tangible evidence of Rochester’s “output” of scientific innovation is the number of patents issued to inventors living in the Rochester area. Among the largest 100 metropolitan areas of the country, patents issued per capita was second only to Silicon

**Over 7,200 patents were issued to Rochester inventors between 1995 and 1999, over FOUR TIMES the national average.**

Valley’s San Jose. The total number of patents issued per capita was more than four times the national average. In addition, a study by the US Conference of Mayors found that Rochester ranked 20<sup>th</sup> in high-tech output among the 319 metro areas as defined by the U.S. Office of Management and Budget. Furthermore, high-tech’s share of total gross metro product equaled 31.9% in Rochester, significantly higher than Seattle, Boston, or Dallas.

### **Degrees Conferred (Bachelor's and Higher) 1996-97** **Field of Study & Rank (of 60 largest metros)**

All Fields	7
Biological & Life Sciences	3
Physical Sciences	3
Mathematics	3
Engineering & Related Degrees	5
Computer & Info Sciences	12
Visual & Performing Arts	1

Source: Atlanta Regional Consortium for Higher Education

The community also has a large and vital higher education sector. Seventeen colleges and universities located in the Finger Lakes region attract some of the brightest young minds in the country plus many from other nations. During the 1996-97 academic year, the Rochester MSA granted nearly 10,000 college & university degrees—many in key areas of technology such as mathematics, engineering, the physical sciences, the biological sciences and computer and information systems. On a *per capita* basis, Rochester ranks near the top of the 60 largest metro areas in granting degrees in many critical fields. Two world-class universities, the University of Rochester and Rochester

Institute of Technology, support local industry and stimulate innovation in the community.

The influence of the universities on the economy is reflected in Rochester’s strong showing in key technology sectors, including health research/biotech/pharmaceuticals, computer & data/information services, telecommunications, medical and dental instruments & supplies, and printing & publishing. Both research universities are deeply committed to commercializing scientific discovery.

The successes of the University of Rochester Medical Center (URMC) have contributed to significant growth in health services employment. URMC has increased its market share in tertiary care services and expanded its research facility, garnering increased funding from the National Institutes of Health and medical testing business from worldwide pharmaceutical companies.



Data processing service employment and payroll in the Rochester area has been growing more rapidly than in any other part of New York State. Since 1980, payroll in the computer &

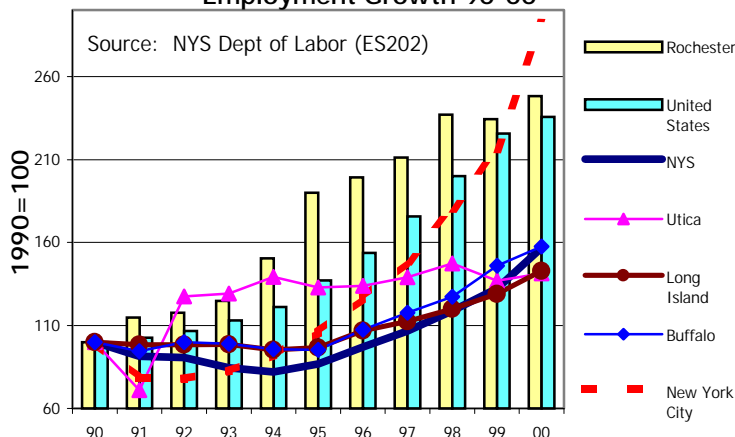
data/information services cluster increased 18-fold from \$35.4 million in 1980 to \$630 million in 2000, three times the rate of the state as a whole (NYS Department of Labor). Employment has risen by 150% just since 1990, well above the rate of growth for the state, although comparable to that of the nation.

This cluster will receive support from a new initiative at the Rochester Institute of Technology. A \$14 million contribution to RIT from Paychex founder Thomas Golisano will underwrite a new

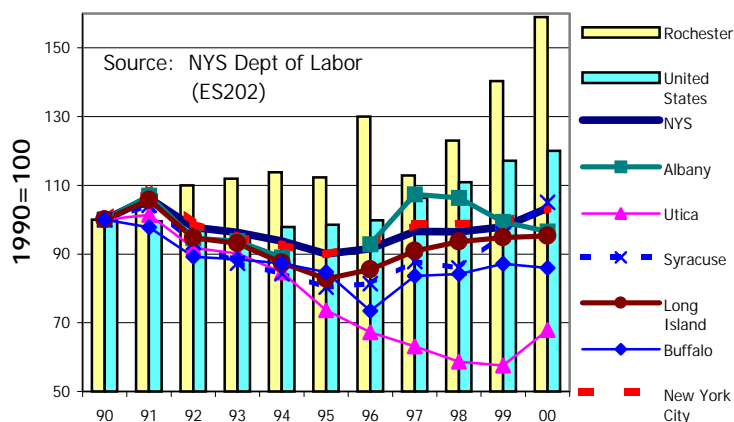
college devoted to computer and information systems. This will complement the University's newly-established Information Technology Co-Laboratory.

The presence of Kodak, Xerox and Bausch & Lomb in the Rochester region has spawned an independent photonics cluster (defined as printing & publishing plus photographic equipment & supplies). Rochester is responsible for one-third of New York State non-Kodak photonics employment.

### Computer & Data Services Employment Growth 90-00



### Telecommunications Employment Growth 90-00



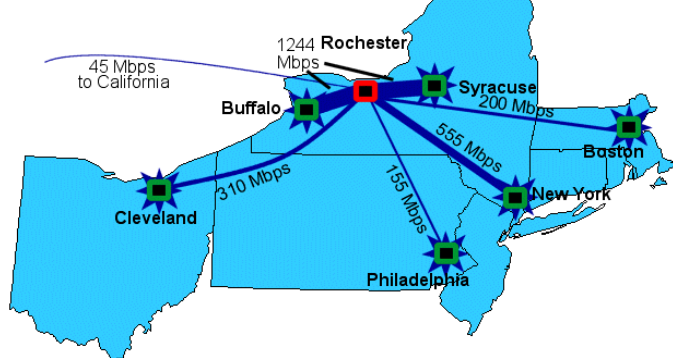
Unlike most mid-sized cities, Rochester did not receive telephone service from AT&T or, subsequent to the AT&T break-up, one of the "Baby Bells." Rochester Telephone historically provided local phone service to a large part of western New York. As the market became more competitive after telecoms markets were deregulated, Rochester Telephone expanded aggressively by acquiring other local telephony providers and offering new telecoms services, changing its name to "Frontier" in recognition of its larger market reach. By the time

Frontier merged with Global Crossing, an international provider of fiber optic network services, it had become a full-service provider of telecoms services including local telephony, long distance, wireless and data services. The concentration of technical and management expertise created by Rochester Telephone and successor companies has created a "critical mass" of telecoms expertise in the Rochester area, spawning a significant cluster of telecoms providers.

## Telecommunications Infrastructure

The first telecommunications market in the nation to be deregulated, telecommunications in Rochester is evolving at Internet speed. Telecommunication options in Rochester are comparable to those available in any major US city. All of the major telecommunications

### Rochester's Internet Connectivity



providers, including AT&T, MCI-Worldcom, Sprint, Global Crossing, Qwest, and Time Warner, have a presence in Rochester. This diverse array of carriers provides connectivity to all the major national ATM backbones, local SONET rings, and offers a wide variety of services ranging from advanced switching from carriers like AT&T to inexpensive connectivity from carriers like Qwest. Smaller, fast-growing telecommunications companies such as PaeTec, Choice One and Mpower cater to small and medium-sized businesses. Fuzion Wireless and

Cybertech Wireless offer wireless internet access at speeds ranging from 128kbps to 100Mbps. Internet connectivity over fiber optic cables is abundant for present and future community need (see adjacent graphic).

## Quality of Life

Rochester offers a quality of life that is unsurpassed in Upstate New York. Home to the Eastman School of Music, one of the world's leading institutions, Rochester provides access to a tremendous diversity of visual and performing arts institutions and events. On a per capita basis, Rochester schools grant more diplomas in the visual and performing arts than any of the nation's sixty largest metropolitan areas, providing numerous opportunities for student and faculty recitals and the opportunity to participate in a large number of amateur performing groups.

Rochester is also home to professional sports teams in baseball, hockey, soccer, lacrosse and arena football. Amateur athletic opportunities are abundant. Four season outdoor recreation opportunities range from sailboat racing and deepwater fishing on Lake Ontario to camping, hunting and skiing in the Bristol Hills to windsurfing and boating on the Finger Lakes. Numerous Finger Lakes wineries boast wines that compete with the best in the world. The climate of the Finger Lakes is particularly well-suited to white wine production.

The region's assets are all within easy reach on a well-maintained, uncongested highway system. The Texas Transportation Institute reports that "Annual Delay per Driver" in Rochester was only eight person-hours in 1999. This is less than one-half the total for Cleveland, Providence, Milwaukee and Columbus and one-quarter the delay experienced by drivers in Minneapolis, Louisville and Charlotte. Drivers in Indianapolis spend 37 hours per year stuck in traffic; in Atlanta, the average is 53 hours.

Finally, Rochester is an affordable city. A wide variety of urban and suburban neighborhoods offer an array of housing options at reasonable prices. The National Association of Realtors reports that the median home price in the second quarter of 2001 was \$92,900. In fact, during

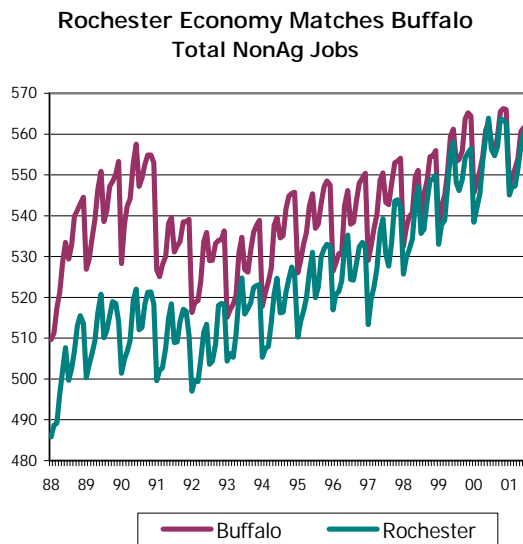
the second quarter of 2001, Rochester ranked 15 out of 127 in terms of the lowest median price for existing single-family homes.

Western New York's major cities owe their present size to their location and transportation facilities. While the Erie Canal no longer has commercial importance, Rochester and Buffalo still provide access to the best transportation networks in the world. In addition to scheduled flights by many major carriers, the Western New York market recently attracted four discount carriers including service between Rochester and JFK on JetBlue.

### Monroe County's Future

With Rochester emerging as the region's economic leader, Western New York offers established firms and entrepreneurs unique value as a corporate location. A strong industrial history and an emphasis on high quality public services—particularly public education—plus an unusually large higher education sector ensures a technically-sophisticated & reliable workforce. Shrinkage of the region's numerous old economy employers, engines of growth for the national

economy in the late 19<sup>th</sup> and early 20<sup>th</sup> centuries, has dampened wage and salary inflation and depressed asset values. New firms can take advantage of the region's workforce while enjoying low labor, land, and building costs, including low housing costs for key personnel.



The restructuring of the U.S. economy during the 1980s and early 1990s depressed growth below that of many international competitors but laid the groundwork for the productivity boom that has reasserted the position of the U.S. as the leader of the world's economy. Western NY has undergone a similar period of painful restructuring, but is now poised to move aggressively into the new economy.

Rochester is particularly well positioned to lead Western New York's resurgence. While the Buffalo area's population still exceeds that of the Rochester MSA, Rochester's economy is more robust than that of its western neighbor. Total personal income of the Rochester MSA surpassed that of Buffalo in 1997; total employment pulled even with Buffalo's in mid 2000. The Flower City's emphasis on technology and the strong showing of its academic institutions in key areas like mathematics, engineering, physical sciences and biological sciences make it the natural economic leader of the region.

Kodak has left Rochester a lasting legacy in its emphasis on manufacturing excellence and strong R&D. Rochester's casual absorption of more than 36,000 Kodak jobs over the past twenty years demonstrates the dynamism of the economy. Firms once dependent on Kodak have expanded their markets throughout the world and grown in consequence. Former employees of the film giant have found new outlets for their skills and experience, lending their experience to small and medium sized firms across the economy. While Kodak is no longer at the center of Rochester's economy—it now provides less than five percent of the community's jobs—it continues to contribute significant income plus essential community leadership. As its relationship with Kodak has matured, Rochester's economy has come of age.



### **National & Statewide Trends in Health Care Costs**

Health care price inflation has returned vigorously after a brief hiatus. Between 1988 and 1992, Medicaid costs grew over twenty percent each year, then fell to about ten percent between 1992 and 1995. As various policy initiatives and a move toward managed care took hold in the industry, national Medicaid cost growth slowed to the rate of general price inflation in 1996, about 2.3%.

Supported by declines in Medicaid enrollment, aggregate costs remained moderate in subsequent years. The number of Medicaid eligibles in New York State fell seven percent between 1997 and May 2000. Offsetting the reduction in total enrollment has been a substantial increase in spending per eligible recipient. From 1997 to May 2000 (the latest month available), cost per recipient statewide grew 45%. As the number of recipients stops falling, the increase in cost per recipient is rapidly driving up total cost.

Increasing prescription drug and long-term care costs—a result of the introduction of new drugs, aggressive marketing by pharmaceutical companies and the aging of the population—drives cost increases nationwide. Prime Institute for Families USA predicts that prescription drug costs per senior will more than double during the first decade of the new century. Medicaid will feel a portion of this impact, although the local share of institutional long term care expenditures is lower than for other Medicaid costs. Overall, medical prices have risen 26% from the end of 1994 through the first half of 2001 while the overall rate of price inflation has been 18%. In the categories of “drugs and pharmaceuticals” and “skilled and intermediate care” (institutional long term care), prices have risen 24% and 37% respectively during the same period.

The recent impact of these trends on private health insurance premiums has been documented by the Sixth Annual Survey on Purchasing Value in Health Care conducted jointly by Watson Wyatt Worldwide, the Washington Business Group on Health and the Healthcare Financial Management Association. Overall, health care costs rose 10.3% in 2001, up from 9.7% in 2000 and 7.5% in 1999. The Consumer Price Index rose just 2.8% during the first 7 months of 2001 and 3.4% during all 2000.

Rochester's health care system, recognized in the 1980s as one of the best in the nation, has been undergoing a transformation as declining admission rates and lengths of stay have reduced hospital occupancy rates. In response to financial pressures and a shrinking market, the Genesee Hospital was recently closed.

### **Economic Trends & Implications for Sales Tax Collections**

Monroe County has experienced significant growth in sales tax revenue during the previous six years. While general price inflation has increased just 15% between 1994 and June 2000, total sales tax collections increased 22%. This can largely be attributed to increased prosperity in the community as the Center for Governmental Research estimates payroll grew just under 27% during the same period. Sales tax collections as a share of payroll has fallen slightly over the period as consumer purchases continues to shift from products to services, which are not as broadly taxed. In line with a phenomenon that has been observed in the U.S. since 1979, a recent academic study forecasts New York sales tax collections declining at least 1.9% as a share of personal income between 1996 and 2003 (Source: Bruce, D. & W. Fox, 2000, “E-Commerce in the Context of Declining State Sales Tax Bases”, University of Tennessee).

Continued expansion of “remote sales,” which includes sales by catalog, telephone and Internet, will likely reduce the rate of increase in sales tax collections as well. While remote sales are

technically subject to taxation, the vendor is not obligated to collect sales and use taxes on behalf of states in which they lack "nexus," determined by whether the firm has a physical presence in the state. Few taxpayers voluntarily pay sales taxes when an out-of-state vendor does not collect the tax on the behalf of states and localities. In fact, sales taxes are an incentive to use a tax-free remote sales channel. A recent study found that for every percentage increase in the sales tax rate, the odds that a consumer would make a purchase online increased by one-half of one percent (Source: Goolsbee, A. & J. Zittrain, 1999, "Evaluating the Costs and Benefits of Taxing Internet Commerce", as cited by Bruce & Fox).

The General Accounting Office released a study in June 2000 (GAO/GGD/OCE-00-165) that explores the potential impact of remote sales and e-commerce on sales tax collections. For the year 2000, GAO's estimates for New York State sales tax losses range from a low of 0.3% of potential sales tax revenue to a high of 4.3%. Applied to Monroe County, these estimates suggest a year 2000 loss of revenue to e-commerce of between \$700,000 and \$11 million.

The growth of e-commerce is likely to remain rapid at least during the next few years, particularly as the spread of broadband Internet opens new opportunities for e-tailers. However, as is the case with most new technology, forecasting the future of Internet retailing is more of an art than science. Yet, simply because the future of e-tailing is cloudy at the moment is not a reason to ignore the potential implications. The most complete studies indicate that New York State could lose between \$81 million and \$1.2 billion to e-commerce by 2003. The same trend would imply losses to Monroe County of between \$2.5 million and \$36 million. The wide range in the estimates are a result of the uncertainty in the future of the industry.

The risks for Monroe County are difficult to quantify and the magnitudes discussed above are speculative. Nonetheless, recent trends suggest that continued growth in sales tax collections is not assured. While economic growth is likely to increase total personal income, the shift toward hard-to-tax remote sales channels and a further movement toward less-broadly taxed service purchases will siphon off a portion of anticipated new revenue.

### **An Overview of the Area's Real Estate Market**

Rochester's downtown office market has staged a comeback. Starting in the early 1970s, the suburbs became the first choice for business relocation with their lower rents and ample amounts of developable space. As a result, downtown buildings have struggled to fill space. A number of building projects during the 1990s—private projects such as Clinton Square, Frontier Telephone, Bausch & Lomb World Headquarters, and Excellus plus a number of public investments such as a new courthouse and library, Frontier Field and a public safety building under construction—marked the rebirth of downtown. Within the last couple of years, high tech companies looking for "wired" space with more open floor plans are finding rehabilitated manufacturing buildings attractive. "Urban chic" buildings also come with an attractive price tag. Class A rents range from \$14-\$24 per square foot downtown versus \$18 or more in the suburbs. Vacancy rates for downtown are about 16%, high compared to the national downtown rate of 6.3%, but not surprising given the large amount of new construction in downtown within the previous five years. Total occupied square footage has grown more than half a million square feet over the decade.

The center of downtown has been the last to rebound. The rehabilitation of the nation's first enclosed shopping mall, Midtown Plaza, has been held up by the financial troubles of its California owner. Now that the building has passed to new management, public and private plans for its revival are moving ahead. Another major building, Gateway Centre, was left empty as its principal tenant built a new headquarters a few blocks south. However, bookending the

central district are a number of vibrant areas. The vacancy rates for the East End and the Cascade District (to the West) are 13%, however, while the Washington Square area just south of downtown's center has only 3% of its space vacant. Recent trends suggest that Rochester's downtown area should experience declining vacancy rates as newly-vacant properties are repositioned in the market. Currently, the biggest concern in continuing to attract business downtown is parking, already considered to be in short supply.

### **Rochester's Economic Outlook**

Rochester has participated in the softness of the national employment market, particularly the sharp decline in the manufacturing sector. Total nonfarm employment peaked in August 2000 at 558,600 but finished July 2001 at 553,200. Rochester manufacturing lost 4,600 jobs, more than half (2,700 jobs) in the instruments and related products category that includes Kodak, Xerox and Bausch & Lomb. Industrial machinery and equipment lost slightly over 500 jobs, while rubber and miscellaneous products lost 300. On the positive side, services; transportation, communications and public utilities; and construction all added jobs during the past eleven months.

Rochester's telecommunications firms appear to be consolidating their early lead in the marketplace as many of their competitors fall on hard times. Total communications employment has been growing since the second half of 1997. Verizon Wireless reported recently that it has grown its local employment by more than 300 jobs during 2001. Citizens Communications Company announced plans to create 450 new jobs at its Frontier Communications subsidiary in Rochester. Some of these positions will be transferred from a Citizens facility in Plano, TX. During the past 11 months, communications employment is up by 800 positions.

Depending on events at the national level, manufacturing's troubles may persist at least for the next few quarters. With most of the large local manufacturers reporting significantly lower earnings in the most recent quarter, management will be forced to squeeze more efficiencies out of the bottom line. Both Kodak and Xerox are currently in the middle of cost-cutting drives which include local layoffs. Further complicating the local scene is the US automotive market. Nationally, new car sales have fallen for the past year. To what degree this will filter down to Rochester's local suppliers (including Valeo and Delphi) is not clear at this time, but Valeo's management is currently seeking wage and benefits concessions from the union labor force, as well as financial support from government agencies.

In summary, Rochester's historic concentration in high technology manufacturing and the community's strong support for education at all levels have ensured the business community access to a well-educated and productive workforce. While still exposed to fluctuations in the general economy—particularly in the manufacturing sector—Rochester has a diversified base of industry that has demonstrated its ability to adapt to the dynamic opportunities of the global marketplace.

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### **CHIEF OF STAFF - REPUBLICAN MAJORITY OFFICE**

Dawn C. Nettnin

### **STAFF DIRECTOR - DEMOCRATIC MINORITY OFFICE**

Derek K. Murphy

## **LEGISLATORS**

District 1 .....	Peter N. McCann
District 2 .....	Wayne E. Zyra
District 3 .....	Tracy L. Logel
District 4 .....	Mark W. Assini
District 5 .....	Mark J. Cassetti
District 6 .....	Frederick J. Amato
District 7 .....	Douglas B. Dobson
District 8 .....	Sean T. Hanna
District 9 .....	George C. Wiedemer
District 10 .....	Bill Smith
District 11 .....	Pieter W. Smeenk
District 12 .....	Karla F. Boyce
District 13 .....	John G. Driscoll
District 14 .....	Lynda M. Garner Goldstein
District 15 .....	Raymond A. Santirocco
District 16 .....	Peter C. Pecor
District 17 .....	Stephanie Polowe Aldersley
District 18 .....	A. Michael Hanna
District 19 .....	William D. Reilich
District 20 .....	Dennis A. Pelletier
District 21 .....	Christopher J. Wilmot
District 22 .....	Ronnie Thomas
District 23 .....	William J. Benet
District 24 .....	Kevin B. Murray
District 25 .....	Calvin L. Lee, Jr.
District 26 .....	John J. Ferlicca
District 27 .....	H. Todd Bullard
District 28 .....	James Roose
District 29 .....	José A. Cruz



## **COUNTY EXECUTIVE'S OFFICE**

### **COUNTY EXECUTIVE**

John D. Doyle

### **DEPUTY COUNTY EXECUTIVE**

Richard F. Mackey

### **ASSISTANT COUNTY EXECUTIVE**

Kevin C. Crerand

### **SPECIAL COUNSEL**

James P. Mulley

## **ELECTED/APPOINTED OFFICIALS**

### **BOARD OF ELECTIONS**

M. Betsy Relin, Commissioner

Peter M. Quinn, Commissioner

### **COUNTY CLERK**

Maggie Brooks

### **DISTRICT ATTORNEY**

Howard R. Relin

### **PUBLIC DEFENDER**

Edward J. Nowak

### **SHERIFF**

Patrick O'Flynn

## **COUNTY DEPARTMENTS**

<b>AGING, OFFICE FOR THE</b>	<b>Lorraine V. Anderson, Director</b>
<b>AVIATION</b>	<b>Terrence G. Slaybaugh, Director</b>
<b>BOARD OF ELECTIONS</b>	<b>M. Betsy Relin, Commissioner Peter M. Quinn, Commissioner</b>
<b>COMMUNICATIONS/SPECIAL EVENTS</b>	<b>John S. Riley, Director</b>
<b>COUNTY CLERK</b>	<b>Maggie Brooks, County Clerk</b>
<b>DISTRICT ATTORNEY</b>	<b>Howard R. Relin, District Attorney</b>
<b>ENVIRONMENTAL SERVICES</b>	<b>John E. Graham, Director</b>
<b>FACILITIES MANAGEMENT</b>	<b>Henry Manczyk, Director</b>
<b>FINANCE</b>	<b>Gerald J. Mecca, Chief Financial Officer</b>
<b>HUMAN RESOURCES</b>	<b>Elizabeth H. Riley, Director</b>
<b>INFORMATION SERVICES</b>	<b>Loren M. Bortree, C.D.P., Director</b>
<b>LAW</b>	<b>Charles S. Turner, County Attorney</b>
<b>MENTAL HEALTH, OFFICE OF</b>	<b>Stephen L. Dungan, Director</b>
<b>MONROE COMMUNITY HOSPITAL</b>	<b>Frank R. Tripodi, Executive Health Director</b>
<b>PARKS</b>	<b>Frank Allkofer, Director</b>
<b>PLANNING &amp; DEVELOPMENT</b>	<b>Rocco DiGiovanni, Director</b>
<b>PUBLIC DEFENDER</b>	<b>Edward J. Nowak, Public Defender</b>
<b>PUBLIC HEALTH</b>	<b>Andrew S. Doniger, M.D., Director</b>
<b>PUBLIC SAFETY</b>	<b>Gary K. Pence, Director</b>
<b>SHERIFF</b>	<b>Patrick O'Flynn, Sheriff</b>
<b>SOCIAL SERVICES</b>	<b>Richard F. Schauseil, Director</b>
<b>TRANSPORTATION</b>	<b>Terrance Rice, Director</b>
<b>VETERANS SERVICE AGENCY</b>	<b>James A. Carra, Director</b>
<b>YOUTH BUREAU</b>	<b>Melvin Walczak, Acting Director</b>

## **OFFICE OF MANAGEMENT & BUDGET**

### **DIRECTOR**

**Suzanne K. Kennedy**

### **STAFF**

**Anthony Feroce**

**Delaine George**

**Mary Lynne Hahn**

**Sharon Keefe**

**Kevin Klemann**

**Jeanne Murphy**

**Thomas J. Uschold**

**Karen Wandersleben**

**We welcome your comments and suggestions about this budget document.**

**Please contact us at (716) 428-5160 or write to us at:**

**301 County Office Building**

**39 West Main Street**

**Rochester, NY 14614**

**or**

**Email us at [www.monroecounty.gov](http://www.monroecounty.gov)**